



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - Public distribution

**Date:** 3/27/2009

**GAIN Report Number:** CH9023

## China, Peoples Republic of

### Agricultural Situation

### Weekly Hongbao

### 2009

**Approved by:**

Mark Petry  
AGBEIJING

**Prepared by:**

Darren Chandlee, AgBeijing Staff

---

**Report Highlights:**

This report provides a news synopsis of trade policy and agriculture/commodities in China. News includes: 1) Migrant Laborers Total 225 Million in 2008; 2) MOA Signs Agreement with FAO; 3) Consumer Retail Sales in Beijing Increase 12.7 Percent in February; 4) Foot and Mouth Disease Outbreak in China; 5) Clenbuterol Contamination in Guangdong; 6) Guangdong Plywood Forum Forecasts an Industry Slowdown; 7) Wal-Mart Set to Keep Growing; and 8) New Wine Distribution Center Planned in Shenzhen.

---

Includes PSD Changes: No  
Includes Trade Matrix: No  
Annual Report  
Beijing [CH1]  
[CH]

**Migrant Laborers Total 225 Million in 2008:** A survey by the National Statistical Bureau showed that migrant laborers in China totaled 225.4 million by the end of 2008. Of the total, 85 million were rural laborers working locally, while 140 million laborers worked outside of their hometown county. The survey covered 31 provinces and 857 counties nationwide and found that 71 percent of the laborers migrated to China's eastern and coastal regions, 13 percent to central regions, and 15 percent to western regions. Prior to China's Spring Festival in late January, 70 million rural laborers left their hometowns and only 80 percent of those rural laborers returned to urban areas seeking employment after the festival. Currently, 11 million rural laborers are still unemployed. (Source: National Statistics Bureau Website, 03/27/09)

**MOA Signs Agreement with FAO:** On March 24, China's Ministry of Agriculture (MOA) signed a general agreement to establish a food fund with the United Nation's (UN) Food and Agriculture Organization (FAO), marking the initiation of China's involvement in the UN's millennium goal of eradicating extreme hunger. According to the agreement, the Chinese government will donate \$30 million over three years to the FAO fund to help the development of agricultural production capacity in developing countries. The Chinese government will conduct scientific training and exchanges by sending agricultural experts to offer technical assistance, set up site demonstration for techniques and management, and will also offer supplementary agricultural inputs to the recipient countries. Considering the severe hunger challenges in Africa, the fund will give priority to African countries. (Source: Ministry of Agriculture Website, 03/27/09)

FAS/Beijing Comment: China's monetary contribution to the FAO is an indication of the importance China places on global food security and also illustrates China's desire to help shape global agriculture policy. The agreement also underscores China's realization that the development of Africa and access to food will ultimately play a role in China's own growth in agriculture trade.

**Consumer Retail Sales in Beijing Increase 12.7 Percent in February:** Retail consumer sales topped \$11.86 billion in January - February 2009 in Beijing, up 12.7 percent compared with the same period in 2008. Sales of food, clothing, and other household products reached \$3.33 billion (15 percent increase), \$1.17 billion (10 percent increase) and \$6.71 billion (17 percent increase), respectively, compared with the same period in 2008. In addition, Beijing's wholesale and retail sectors had revenues of \$10.44 billion (up 12.5 percent) and the HRI sector reached \$1.09 billion (up 13.5 percent). However, the lodging sector fell to \$220 million, a decrease of 1.7 percent over the same period in 2008. (Source: ATO/Beijing and Beijing Statistics Website, 03/26/09)

FAS/Beijing Comment: Apart from the decline in lodging, there is some skepticism as to the validity of these numbers. With the local economy growing at 3-4 percent overall, it is difficult to believe so many sectors in Beijing are growing at 10-15 percent.

**Foot and Mouth Disease Outbreak in China:** On March 20, MOA notified FAS/Beijing of an outbreak of foot and mouth disease in China's Province of Inner Mongolia, citing 20 head of infected cattle. In total, 885 head of sheep and goats, one pig, and 235 head of cattle were culled. (Source: MOA notification, 3/25/2009)

**Clenbuterol Contamination in Guangdong:** On March 18, the Guangdong Agriculture Department announced that it prevented 43 shipments of pigs that were contaminated with clenbuterol from entering the market from February 18 to March 15. During this period, 126,962 samples were tested, of which 155 tested positive for clenbuterol, all from Hunan province. The Guangdong Agriculture Department recommends the closure of all live pig wholesale markets in Guangzhou. (Source: ATO/Guangzhou and local press, 03/18/09)

**Guangdong Plywood Forum Forecasts an Industry Slowdown:** On March 18, China Forestry Industry Association reported that China produced 2.8 billion cubic feet of plywood in 2008, a drop of 7.6 percent. Major industry problems identified as contributing to this decline included: manufacturers have limited access to forest lands for sourcing; many enterprises are not efficient in production management; and production relies heavily on imported wood processing machinery. Poor quality and high formaldehyde emissions from plywood products also continue to hinder development of the industry. In addition to these internal problems, the industry also faces challenges from the global economic crisis. Last year, exports of plywood declined 18 percent to 353 million cubic feet. While prices of wood materials declined by 20 to 30 percent in 2008, sales prices fell by 15 to 20 percent, respectively. Due to weaker market demand, the Chinese inventory last year reached 283 million cubic feet and only 28 percent of last year's plywood products were sold. As of February 2009, 60 percent of the plywood factories shut down or ceased production. Industry experts expect 2009 to be a difficult year for plywood producers where 40 percent of sales depend on overseas markets. (Source: ATO/Guangzhou and local press, 03/18/09)

**Wal-Mart Set to Keep Growing:** Wal-Mart is slated to open another 21 stores in the first quarter of this year, bringing the total number of locations in China to 147. This will mark an increase from the 19 locations opened in 2008 but is still lower than the 30 unveiled in 2007. Wal-Mart senior executive Barry Friedman expressed confidence that the giant U.S. retailer will ride out the economic storm and continue its growth in China. The company, which has expanded massively since entering the Chinese market in 1996, faces a slowing expansion of income with increasing competition. This competition not only comes from foreign rivals, such as France's Carrefour and the United Kingdom's Tesco, but increasingly from local companies as well. Tesco, with previous success in Thailand, came to China in 2004 and currently operates 62 stores. Carrefour, which opened 22 stores last year, plans to add another 28 this year, bringing the total to 130 locations. China's consumption is still growing despite the economic downturn, particularly in outlying rural areas, so Friedman said part of Wal-Mart's focus for expansion will be in China's remote cities. (Source: ATO/Beijing and China Daily, 03/26/09)

FAS/Beijing Comment: In the midst of a global economic downturn and fierce competition, Wal-Mart signals a growth strategy with new store openings throughout China. This could be a greater indication that food consumption is not decreasing, let alone stagnate. This increase in store locations could also show that Chinese consumers are moving from smaller local markets to superstore-style shopping, making fewer trips to the store and leaving with a larger amount of purchases. As additional stores are opened in China, especially in Emerging City Markets and third tier cities, the visibility of American products will increase, thus helping to increase U.S. exports.

**New Wine Distribution Center Planned in Shenzhen:** A Shenzhen based company plans to build a new three story wine distribution center covering 65,000 square feet and open its doors by the end of the year. Encouraged by strong demand of imported wines, the company plans to extend its wine trading business to provide one-stop services to cooperating wineries, including: customs clearance, logistics, a temperature control warehouse, showroom, office space, and distribution network. Distributors may select, taste, and buy wines at various price points. The center also plans to conduct wine education and tastings on a regular basis to better promote wine culture. (Source: ATO/Guangzhou and local press, 03/26/09)

FAS/Beijing Comment: This distribution center is not only a sign that the wine market in southern China is growing, but now there is also an understanding that significant marketing and education needs to occur in conjunction with increasing the supply. The wine industry in

China is still in the infant phases where distributors, lacking proper knowledge about new or existing wines, cannot make accurate purchases that meet the needs of their target market. This platform aims to provide the ideal atmosphere where distributors can make informed decisions and provide feedback to the suppliers. An increase of similar distribution centers is likely once the benefits are further demonstrated.